

# Financial Status Report

*Prepared by the Finance Department*



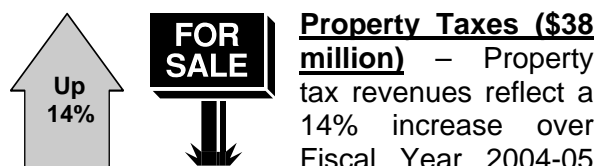
June 30, 2006

This report summarizes the City of Carlsbad's General Fund revenues and expenditures through June 30, 2006. It compares revenues and expenditures for fiscal years 2004-05 and 2005-06. In addition, the financial status of the Water and Sanitation Enterprises and the Village Project Area of the Redevelopment Agency are included. This report is for internal use only. The figures presented here are unaudited and have not been prepared in accordance with Generally Accepted Accounting Principles (GAAP).

## GENERAL FUND BALANCE

The books have been closed for the fiscal year and the audit is underway. Interest income is shown on an amortized cost basis and will be adjusted to market value as required under GAAP for presentation in the Comprehensive Annual Financial Report (CAFR). Revenues totaled \$106.2 million, which was \$3.1 million above recent projections. Expenditures and encumbrances at \$97.6 million were \$16.6 million below the budget for the year. Due to the City of Carlsbad's fiscal discipline, as reflected in the chart below, the General Fund's unreserved, undesignated fund balance grew by \$6.4 million for the year for a total of \$45.7 million.

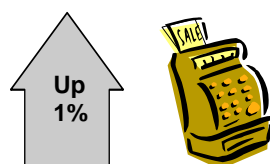
## TOP GENERAL FUND REVENUES



**Property Taxes (\$38 million)** – Property tax revenues reflect a 14% increase over Fiscal Year 2004-05

revenues. A portion of this increase can be attributed to the fact that in the 2004-05 State budget, the State reallocated property taxes for Vehicle License Fees (VLF). Thus, instead of receiving over \$5 million in VLF, the City now receives additional property taxes in an equal amount. These amounts will grow at the same rate as the City's assessed values. In May 2006, the City received the second of two payments for this reallocation of property taxes. In addition, the City also received a "true up" or adjustment from the amounts received last fiscal year, and the amounts the City should have received. The majority of the increase in property taxes is from a 12.1% increase in assessed values in Carlsbad for the fiscal year, with the remaining amount due to the "true up" of VLF from Fiscal Year 2004-05.

GENERAL FUND FISCAL YEAR 2005-06 UNRESERVED - UNDESIGNATED FUND BALANCE (unaudited)	
	Actual on a Budgetary Basis
Unreserved - Undesignated Fund Balance 7/1/2005	\$39,356,989
Revenues*	106,247,063
Transfers In	76,666
Expenditures/Encumbrances	(97,634,714)
Transfers Out	(5,700,000)
Estimated Change in Program Carryforwards	(312,282)
Other Changes in Reserves and Designations**	3,712,494
Unreserved - Undesignated Fund Balance 6/30/2006	\$45,746,216
* Interest income is shown on an amortized basis, and will be \$929,000 less when adjusted to fair market value as required under GAAP for financial statement reporting.	
** Reserves and designations include advances, habitat mitigation, encumbrances and other miscellaneous reserves.	



**Sales Taxes (\$26.7 million)** – For the year, sales tax revenues are \$338,000 (or 1%) higher than the previous fiscal year. Sales taxes for the year are up by 1% due to the net effect of three factors. First, the State implemented the "Triple Flip" in Fiscal Year 2004-05, with the first ¼ cent reduction occurring with the September 2004 sales tax receipt. During the 2004-05 Fiscal Year, the City received the required two "Triple Flip" payments. However, the two payments were based on

twelve months of "Triple Flip" reductions, instead of the actual ten months where reductions occurred. In the current fiscal year, the "Triple Flip" payments were reduced by the overpayment in the prior fiscal year (\$934,000). Secondly, one of the larger businesses in Carlsbad was given a sales tax adjustment, based on an audit performed last year. This adjustment negatively impacted the City's current year sales tax

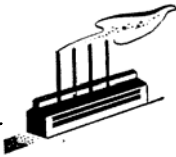
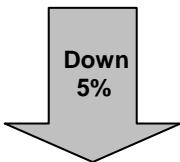
revenues by approximately 1.4% (\$369,000). Lastly, sales taxes were up by 3.3% (excluding the effects of the Triple Flip) for the twelve months ended March 31, 2006. During the year, gains could be seen in restaurants, service stations and apparel stores. Key declines could also be seen in new auto sales, office equipment and retail building materials.

The largest economic segments in the City continue to be new auto sales, department stores, restaurants, apparel stores, and miscellaneous retail. Together, they generate 69% of the City's sales tax revenues.



**Transient Occupancy Tax (\$11.5 million)** – Transient Occupancy Taxes (TOT) are \$1.4 million or 14% higher than the previous year. Increased tourism throughout the City accounted for most of the variance. The two largest hotels accounted for 61% of this increase. Year-to-date TOT figures represent taxes collected on hotel receipts through the month of June 2006.

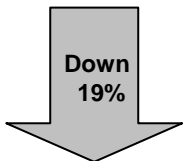
The West Inn opened to the public in May of 2006. The addition of the City's 33<sup>rd</sup> hotel brings the total room available in Carlsbad to over 3,400.



**Franchise Taxes (\$5.4 million)** – Franchise fees come from public utility sources such as San Diego Gas & Electric (SDG&E), trash collection franchises, and cable franchises conducting business within City limits. Year-to-date franchise fees are down \$254,000 over the same period last year due primarily to a decrease in the annual franchise taxes paid by SDG&E (down \$622,000), partially offset by an increase in the quarterly franchise taxes paid by

the cable franchisee (up 23%) and by Coast Waste Management (up 13%). Of the 23% increase in cable franchise taxes received, over 70% was due to the results of a prior period audit.

SDG&E pays franchise taxes for the use of public land over which they transport gas and electric services. In addition, SDG&E also pays an "in-lieu" franchise tax based on the value of gas and electricity transported through SDG&E lines, but purchased from another source. The majority of "in-lieu" taxes collected is from Cabrillo Power, the operator of the Encina Plant. This "in-lieu" tax was put in place to capture the franchise taxes on gas and electricity that is transported using public lands, but which would not otherwise be included in the calculations for franchise taxes. For calendar year 2005, net electricity sales increased by 6%, and net gas sales increased by 10%. However, the franchise taxes paid by SDG&E are down in total by 17.1%, due to the "in-lieu" taxes decline of 26% for the year. This drop of "in-lieu" taxes is not a reflection of the price of natural gas or electricity, but rather a reflection of the amount of utilities transported through SDG&E lines, but not purchased from SDG&E.



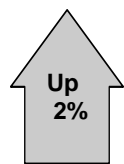
**Development-Related Revenues (\$5.1 million)** – Development-related revenues, which include building permits, planning fees, building department fees, and engineering fees, reflect a decrease compared to the prior fiscal year. These fees are paid by developers to cover the cost of reviewing and monitoring development activities such as plan checks and inspections. The

largest development-related revenue source year-to-date is engineering plan check fees. Some of the activity in June included development at the Greens in the Villages of La Costa; residential development at Poinsettia Commons and Bressi Ranch; industrial development at the Carlsbad Raceway; the Cassia Professional Offices; the North Coast Calvary Chapel; and the Palomar Transfer Station.

Another source of development-related revenue is building permits, which are down 32% compared to last fiscal year. The decrease in building permit revenue is derived from the net effect of a decrease in the valuation of new construction, a decrease in the number of residential building permits issued, and higher building fees. The valuation of new construction for the fiscal year is just under \$378.2 million, while it was just under \$531.1 million in the previous fiscal year, a 29% decrease. The number of homes permitted in Carlsbad dipped sharply in June, dropping below 100 units for the fourth time since January 2006. Builders pulled permits for 12 homes in June. Of the 12 homes permitted in June, four of the homes were single-family detached dwellings. The only other activity was eight single-family units, which are located in the

Greens in the Villages of La Costa Master Planned Community. For the 2005-06 Fiscal Year, 943 residential permits were issued, as compared to 1,744 permits issued during last fiscal year.

Strong non-residential activity continued in June as Carlsbad issued 19 permits totaling 220,530 square feet of industrial space. The approved space includes 119,560 square feet in the Bressi Ranch industrial area and 100,970 square feet in the Opus Point industrial area. Year-to-date there has been a combined 1,205,983 square feet in commercial/industrial permits issued, as compared to 839,640 square feet for Fiscal Year 2005.

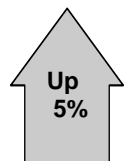


**Income from Investments and Property (\$3.3 million)** – For the year, income from investments and property is up \$57,000 compared to the previous year. The higher revenue is from an increase from the rental of City-owned property (up 12%).

Interest income is down 1% for the year due to the effects of a 13% decrease in the average cash balance, offset by a 12% increase in the average yield on the portfolio

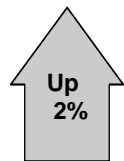
for the year.

Income from property rentals is up compared to the previous year, primarily due to increased parking lot rentals at the Farmer's building, and additional recreation site and senior center rentals. A majority of the higher recreation site rentals is from increased activity at Carrillo Ranch.



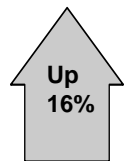
**Business License Tax (\$3.0 million)** – Business license revenues reflect an increase of \$149,000 from Fiscal Year 2005 figures. This growth in revenue is due mainly to an increase in the number of licensed businesses compared to the prior year. There are currently 8,387 licensed businesses operating within the City, up 387 licenses from last year. Of this figure, 5,863 businesses are located

in Carlsbad, with 2,473 of these businesses home-based.



**Interdepartmental Charges (\$2.6 million)** – Interdepartmental charges are \$46,000, or 2% higher than last year. These charges are generated through engineering services charged to capital projects and miscellaneous interdepartmental expenses charged to funds outside the General Fund for services performed by departments within the General Fund. The increase for the year is due to an increase in

interdepartmental charges to funds outside the General Fund, reflecting an updated cost allocation plan.



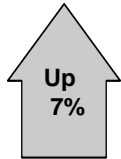
**Transfer Taxes (\$1.9 million)** – When real property is sold, the County Assessor's Office charges a transfer tax. The transfer tax rate in San Diego County is \$1.10 per thousand multiplied by the selling price of the property. The City receives 50% of the transfer tax charged for sales within the City of Carlsbad. The housing market has been extremely strong during the past

couple of years in San Diego County, and the amount of transfer taxes the City receives has continued to increase.



**Ambulance Fees (\$1.7 million)** – The City bills any individual who is transported in one of the City's ambulances. Through June 2006, receipts from ambulance fees are up 25%, or \$335,000 higher than Fiscal Year 2004-05. Ambulance fees can fluctuate from month-to-month based on the number of calls. The number of calls has increased over the past couple of months,

as the City has put an additional ambulance into service. Although the number of ambulance calls is up for the year, the increase was partially offset by an increase in Medicare and Medi-Cal adjustments (Medicare and Medi-Cal claims are reimbursed to the City at substantially reduced rates).



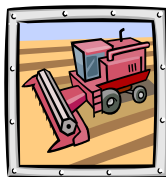
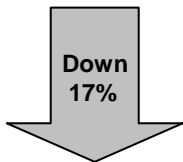
**Recreation Fees (\$1.6 million)** – Recreation fees are generated through instructional classes, youth and adult sports, the triathlon, and other special events, day trips, various aquatic programs, and lagoon permits. Year-to-date recreation fee revenue is \$98,000 higher than the previous fiscal year. The largest factor in this year's increase is the fact that this year's triathlon was held in

July while last year's triathlon was held in June; two different fiscal years (a difference of \$105,000). In addition to the triathlon, the City has seen increased participation in instructional classes, youth sports and the various aquatics programs. These increases were offset by a reduction in senior trip/class revenues. This reduction is merely a timing difference in the recording of senior trip/class revenues; a result of recently implementing the CLASS System to register and account for senior programs.



**Other Revenue Sources (\$1.3 million)** – Other revenue sources include revenues received by the City to offset the costs of special studies or projects for developers; reimbursements for damage done to city streets, right-of-ways, and other city-owned property; donations; and refunds of prior year fees. This year's revenues reflect increased reimbursements received for

City administration expenses, Police work at special events, and energy conservation rebates; and additional contributions from property owners for studies, projects and public improvements. These increases were partially offset by fewer donations received by the City.



**Other Licenses and Permits (\$1.1 million)** – Other licenses and permits consist of plumbing, electrical, mechanical, right-of-way, grading, conditional land use, lagoon, and other miscellaneous permit revenues. These permits usually increase/decrease along with increases/decreases in development activity.

## EXPENDITURES

Total General Fund expenditures, encumbrances and transfers out for Fiscal Year 2005-06 equaled \$103.3 million. This was \$16.6 million less than the budget of \$119.9 million. These "savings" represent an accumulation of efficiency efforts achieved over the past five fiscal years. Expenditures are shown on a budgetary basis, which means they include all amounts actually spent during the year, plus any money encumbered at the end of the year. A portion of the \$16.6 million unspent money will be carried over to the next fiscal year. These "savings" will be used to improve programs and services in upcoming fiscal years.

Some of the larger factors reflected in the increase in expenditures for the current year over the previous fiscal year include an increase in retirement and health insurance rates, costs related to the 2005 winter storms, additional communication-related expenditures, contracted engineering plan checks and inspections, the purchase of a fire ladder truck, and the purchase of the new radio frequency identification system in the City's libraries.

The City Council allocated \$2.3 million out of the General Fund budget to be available for unanticipated emergencies or unforeseen program needs. For the year, just over \$2 million was authorized out of the contingency account, as shown in the chart below. The remaining contingency amount of \$295,000 will return to the General Fund balance for appropriation by the Council in the future.

CONTINGENCY ACCOUNT USE OF FUNDS			
EXPLANATION	AMOUNT	DATE	RESOLUTION NUMBER
<b>ADOPTED BUDGET</b>	\$2,300,000		
<b>USES:</b>			
Emergency Donation to the Victims of Hurricane Katrina	(50,000)	09/06/2005	2005-277
Enhanced City Enforcement Efforts in the Downtown Village Area	(65,000)	10/08/2005	2005-313
Temporary Pump Rental for Calavera Dam	(50,000)	12/06/2005	CMWD 1262
2005 Winter Storms Emergency Repairs	(1,725,000)	02/21/2006	2006-046
Agua Hedionda Lagoon Foundation Donation	(9,000)	03/07/2006	2006-045
Fraternity House Inc. Donation	(6,000)	03/28/2006	2006-068
Citizens' Committee to Study the Flower and Strawberry Fields Funding	(100,000)	04/18/2006	2006-103
<b>TOTAL USES</b>	<u>(2,005,000)</u>		
<b>AVAILABLE BALANCE</b>	<u><b>\$295,000</b></u>		

Detailed schedules of General Fund revenues and expenditures are provided on the following pages.

GENERAL FUND REVENUE COMPARISON				
	ACTUAL REVENUE 2004-05	ACTUAL REVENUE 2005-06*	ACTUAL COMPARED TO ACTUAL	
			DIFFERENCE	%
<b>TAXES</b>				
PROPERTY TAX	\$33,330,405	\$38,041,495	\$4,711,090	14.1%
SALES TAX	26,330,537	26,668,982	338,445	1.3%
TRANSIENT TAX	10,072,278	11,512,552	1,440,274	14.3%
FRANCHISE TAX	5,682,953	5,429,311	(253,642)	-4.5%
BUSINESS LICENSE TAX	2,889,989	3,039,044	149,055	5.2%
TRANSFER TAX	1,646,331	1,905,842	259,511	15.8%
<b>TOTAL TAXES</b>	<b>79,952,493</b>	<b>86,597,226</b>	<b>6,644,733</b>	<b>8.3%</b>
<b>INTERGOVERNMENTAL</b>				
VEHICLE LICENSE FEES	2,136,364	587,179	(1,549,185)	-72.5%
HOMEOWNERS EXEMPTIONS	357,240	371,640	14,400	4.0%
OTHER	2,372,765	143,285	(2,229,480)	-94.0%
<b>TOTAL INTERGOVERNMENTAL</b>	<b>4,866,369</b>	<b>1,102,104</b>	<b>(3,764,265)</b>	<b>-77.4%</b>
<b>LICENSES AND PERMITS</b>				
BUILDING PERMITS	2,031,708	1,375,736	(655,972)	-32.3%
OTHER LICENSES & PERMITS	1,360,974	1,128,284	(232,690)	-17.1%
<b>TOTAL LICENSES &amp; PERMITS</b>	<b>3,392,682</b>	<b>2,504,020</b>	<b>(888,662)</b>	<b>-26.2%</b>
<b>CHARGES FOR SERVICES</b>				
PLANNING FEES	995,371	890,672	(104,699)	-10.5%
BUILDING DEPT. FEES	1,362,007	998,840	(363,167)	-26.7%
ENGINEERING FEES	1,881,498	1,825,354	(56,144)	-3.0%
AMBULANCE FEES	1,350,911	1,685,850	334,939	24.8%
RECREATION FEES	1,483,043	1,581,370	98,327	6.6%
OTHER CHARGES OR FEES	950,431	769,587	(180,844)	-19.0%
<b>TOTAL CHARGES FOR SERVICES</b>	<b>8,023,261</b>	<b>7,751,673</b>	<b>(271,588)</b>	<b>-3.4%</b>
<b>FINES AND FORFEITURES</b>	<b>950,813</b>	<b>1,063,268</b>	<b>112,455</b>	<b>11.8%</b>
<b>INCOME FROM INT &amp; PROPERTY</b>	<b>3,279,619</b>	<b>3,336,930</b>	<b>57,311</b>	<b>1.7%</b>
<b>INTERDEPARTMENTAL CHARGES</b>	<b>2,565,543</b>	<b>2,611,380</b>	<b>45,837</b>	<b>1.8%</b>
<b>OTHER REVENUE SOURCES</b>	<b>1,066,032</b>	<b>1,280,462</b>	<b>214,430</b>	<b>20.1%</b>
<b>TOTAL GENERAL FUND</b>	<b>104,096,812</b>	<b>106,247,063</b>	<b>2,150,251</b>	<b>2.1%</b>
* Unaudited				

GENERAL FUND EXPENDITURE STATUS BY DEPARTMENT				
		AS OF 06/30/06		
	TOTAL BUDGET FY 2005-06	ACTUAL ON A BUDGETARY BASIS (b)	UNDER/ (OVER) BUDGET (c)	% UNDER/ (OVER) BUDGET
DEPT	DESCRIPTION			
POLICY/LEADERSHIP GROUP				
	CITY COUNCIL	\$451,221	\$366,692	\$84,529 18.7%
	CITY MANAGER	1,663,626	1,315,754	347,872 20.9%
	COMMUNICATIONS	1,232,311	1,200,844	31,467 2.6%
	CITY CLERK	203,332	158,928	44,404 21.8%
	CITY ATTORNEY	1,340,710	1,141,912	198,798 14.8%
	CITY TREASURER	207,123	161,240	45,883 22.2%
	TOTAL POLICY/LEADERSHIP	5,098,323	4,345,370	752,953 14.8%
ADMINISTRATIVE SERVICES				
	ADMINISTRATION	780,601	566,992	213,609 27.4%
	FINANCE	3,554,876	2,723,983	830,893 23.4%
	HUMAN RESOURCES	3,212,295	2,185,640	1,026,655 32.0%
	RECORDS MANAGEMENT	907,940	822,193	85,747 9.4%
	TOTAL ADMINISTRATIVE SERVICES	8,455,712	6,298,808	2,156,904 25.5%
PUBLIC SAFETY				
	POLICE	24,450,587	22,779,346	1,671,241 6.8%
	FIRE	14,806,838	13,973,757	833,081 5.6%
	TOTAL PUBLIC SAFETY	39,257,425	36,753,103	2,504,322 6.4%
COMMUNITY DEVELOPMENT				
	COMMUNITY DEVELOPMENT ADMIN	2,669,074	945,899	1,723,175 64.6%
	HIRING CENTER	85,004	84,897	107 0.1%
	GEOGRAPHIC INFORMATION	467,332	444,885	22,447 4.8%
	ECONOMIC DEVELOPMENT	238,979	179,970	59,009 24.7%
	COMMUNITY PROMOTION (CCVB)	341,940	338,668	3,272 1.0%
	PLANNING	4,041,085	3,654,388	386,697 9.6%
	BUILDING	2,228,292	2,199,216	29,076 1.3%
	TOTAL COMMUNITY DEVELOPMENT	10,071,706	7,847,923	2,223,783 22.1%
COMMUNITY SERVICES				
	PARK PLANNING & RECREATION	7,260,905	5,352,173	1,908,732 26.3%
	SENIOR PROGRAMS	864,487	795,425	69,062 8.0%
	LIBRARY	11,158,037	9,166,531	1,991,506 17.8%
	CULTURAL ARTS	1,196,306	885,897	310,409 25.9%
	TOTAL COMMUNITY SERVICES	20,479,735	16,200,026	4,279,709 20.9%
PUBLIC WORKS				
	PUBLIC WORKS ADMINISTRATION	1,271,518	929,395	342,123 26.9%
	ENGINEERING	7,586,198	6,677,256	908,942 12.0%
	PARKS	4,876,942	4,360,323	516,619 10.6%
	STREETS & TRAFFIC SIGNALS	4,998,690	3,845,423	1,153,267 23.1%
	FACILITIES	3,709,479	3,704,019	5,460 0.1%
	TOTAL PUBLIC WORKS	22,442,827	19,516,416	2,926,411 13.0%
NON-DEPARTMENTAL & CONTINGENCY				
	OTHER NON-DEPARTMENTAL (a)	7,859,582	6,673,068	1,186,514 15.1%
	TRANSFERS OUT	5,925,000	5,700,000	225,000 3.8%
	CONTINGENCY	295,000	0	295,000 100.0%
	TOTAL NON-DEPT & CONTINGENCY	14,079,582	12,373,068	1,706,514 12.1%
TOTAL GENERAL FUND		\$119,885,310	\$103,334,714	\$16,550,596 13.8%

(a) Other non-departmental expenses include property tax administration fees, assessment district administration, citywide litigation expenses, 2005 storm damage costs and other items not attributed to a specific department.

(b) Actual expenditures on a budgetary basis include encumbrances and exclude non-budgeted items.

(c) These "savings" represent an accumulation of efficiency efforts achieved over the past five fiscal years.

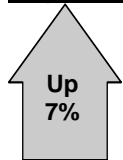
**WATER ENTERPRISE**

**WATER OPERATIONS FUND**  
**JUNE 30, 2006**

	BUDGET FY 2005-06	YTD 6/30/2005	YTD 6/30/2006	CHANGE FROM YTD 2004-05 TO YTD 2005-06	PERCENT CHANGE
<b>REVENUES</b>					
WATER SALES	14,031,199	13,281,446	13,675,734	394,288	3.0%
CHARGES FOR CURRENT SERVICES	4,000,620	3,999,018	4,181,277	182,259	4.6%
PROPERTY TAXES	2,032,029	2,026,281	2,257,124	230,843	11.4%
FINES, FORFEITURES & PENALTIES	255,000	230,819	245,008	14,189	6.1%
INTEREST	552,423	483,355	553,843	70,488	14.6%
OTHER REVENUES	705,828	723,021	579,994	(143,027)	-19.8%
<b>TOTAL OPERATING REVENUE</b>	<b>21,577,099</b>	<b>20,743,940</b>	<b>21,492,980</b>	<b>749,040</b>	<b>3.6%</b>
<b>EXPENSES</b>					
STAFFING	2,804,202	2,576,948	2,692,313	115,365	4.5%
INTERDEPARTMENTAL SERVICES	2,171,385	2,160,590	2,167,418	6,828	0.3%
PURCHASED WATER	11,200,000	10,047,637	11,210,361	1,162,724	11.6%
MWD/CWA FIXED CHARGES	2,171,924	2,098,228	2,253,894	155,666	7.4%
OUTSIDE SERVICES/MAINTENANCE	723,774	567,416	498,067	(69,349)	-12.2%
DEPRECIATION/REPLACEMENT	2,593,000	2,685,374	2,693,000	7,626	0.3%
CAPITAL OUTLAY	366	9,375	10,193	818	8.7%
MISCELLANEOUS EXPENSES	1,048,337	718,187	737,407	19,220	2.7%
<b>TOTAL OPERATING EXPENSES</b>	<b>22,712,988</b>	<b>20,863,755</b>	<b>22,262,653</b>	<b>1,398,898</b>	<b>6.7%</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>(1,135,889)</b>	<b>(119,815)</b>	<b>(769,673)</b>	<b>(649,858)</b>	<b>542.4%</b>

**Revenues**

- The increase in water sales can be tied directly to the 4% increase in the number of water unit sales. The higher water sales in the current year are a reflection of the extremely wet winter the City experienced during Fiscal Year 2005.
- An additional 2,935 residential water customers has impacted charges for current services in the current fiscal year.
- Increased property taxes are the result of higher assessed values within the water district's boundaries.
- The increase in interest income is the result of a 12% increase in the average yield on the portfolio for the year.
- A slow down in development (lower installation and connection fees) and decreased engineering labor charged to water projects (the recycled water facility is almost complete), led to the decrease in other revenues.

**Expenses**

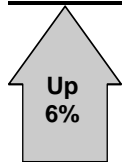
- Higher purchased water costs are the result of rate increases (8% of the increase) by SDCWA that have gone into effect over the past two calendar years, combined with a 4% increase in the amount of water purchased.
- A 14% rate increase that went into effect January 1, 2006 accounts for the higher MWD/CWA fixed charges.
- Outside services and maintenance expenses are down due to costs in Fiscal Year 2005 related to the Maerkle Dam cover and the purchase of water meters and parts associated with several new residential developments (Bressi Ranch and the Villages of La Costa).



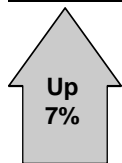
**SANITATION ENTERPRISE**

**SEWER OPERATIONS FUND**  
**JUNE 30, 2006**

	<b>BUDGET FY 2005-06</b>	<b>YTD 06/30/2005</b>	<b>YTD 6/30/2006</b>	<b>CHANGE FROM YTD 2004-05 TO YTD 2005-06</b>	<b>PERCENT CHANGE</b>
<b>REVENUES</b>					
CHARGES FOR CURRENT SERVICES	6,843,212	6,316,652	6,719,440	402,788	6.4%
INTEREST	194,283	216,134	236,810	20,676	9.6%
OTHER REVENUES	241,640	254,767	260,954	6,187	2.4%
<b>TOTAL OPERATING REVENUE</b>	<b>7,279,135</b>	<b>6,787,553</b>	<b>7,217,204</b>	<b>429,651</b>	<b>6.3%</b>
<b>EXPENSES</b>					
STAFFING	1,165,181	918,867	1,042,254	123,387	13.4%
INTERDEPARTMENTAL SERVICES	967,234	1,020,795	967,976	(52,819)	-5.2%
ENCINA PLANT SERVICES	2,713,021	2,346,875	2,277,655	(69,220)	-2.9%
OUTSIDE SERVICES/MAINTENANCE	1,013,030	172,734	631,462	458,728	265.6%
DEPRECIATION/REPLACEMENT	2,469,000	2,456,859	2,460,000	3,141	0.1%
CAPITAL OUTLAY	4,472	3,289	4,441	1,152	35.0%
MISCELLANEOUS EXPENSES	346,426	381,338	404,682	23,344	6.1%
<b>TOTAL OPERATING EXPENSES</b>	<b>8,678,364</b>	<b>7,300,757</b>	<b>7,788,470</b>	<b>487,713</b>	<b>6.7%</b>
<b>OPERATING INCOME/LOSS</b>	<b>(1,399,229)</b>	<b>(513,204)</b>	<b>(571,266)</b>	<b>(58,062)</b>	<b>11.3%</b>

**Revenues**

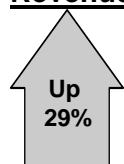
- The increase in charges for current services is primarily the result of an additional 3,283 new residential sewer customers, as well as a 3.85% rate increase that went into effect on August 1, 2005.
- Higher interest income is the combination of a 4% decrease in the average cash balance for the year, netted with a 12% increase in the average yield on the portfolio for the year.

**Expenses**

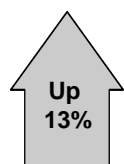
- Staffing costs reflect increased retirement expenses and normal salary increases.
- A reduction in engineering service and utility billing expenses charged to sewer operations can be seen in the lower interdepartmental services.
- Lower Encina operating expenses are the result of a credit given to the Enterprise after the Encina Wastewater Authority completed their reconciliation of expenses for Fiscal Year 2004-05.
- Outside services and maintenance costs reflect the Sea Cliff and North Agua Hedionda sewer rehabilitation projects, the repair of the eroded slope along the bank of the Agua Hedionda Creek, caused by the 2005 winter storms, and maintenance and repair expenses associated with the recycling facility jointly owned with the Vallecitos Water District.
- The purchase of additional maintenance management software can be seen through increased miscellaneous expenses.

**REDEVELOPMENT AGENCY**

<b>CARLSBAD REDEVELOPMENT AGENCY</b> <b>VILLAGE PROJECT AREA</b> <b>OPERATIONS, DEBT SERVICE AND CAPITAL FUNDS</b> <b>JUNE 30, 2006</b>					
	BUDGET FY 2005-06	YTD 06/30/2005	YTD 06/30/2006	CHANGE FROM YTD 2004-05 TO YTD 2005-06	PERCENT CHANGE
<b>REVENUES</b>					
PROPERTY TAXES	1,846,000	1,840,184	2,376,530	536,346	29.1%
INTEREST	20,000	33,259	54,828	21,569	64.9%
OTHER REVENUES	88,054	99,323	108,161	8,838	8.9%
<b>TOTAL OPERATING REVENUE</b>	<b>1,954,054</b>	<b>1,972,766</b>	<b>2,539,519</b>	<b>566,753</b>	<b>28.7%</b>
<b>EXPENSES</b>					
STAFFING	172,089	138,757	171,690	32,933	23.7%
INTERDEPARTMENTAL SERVICES	61,270	36,772	61,300	24,528	66.7%
RENTALS & LEASES	159,392	129,273	137,121	7,848	6.1%
DEBT EXPENSE	1,869,850	1,718,088	1,871,112	153,024	8.9%
CAPITAL OUTLAY	721,194	32,842	41,810	8,968	27.3%
OUTSIDE SERVICES, MAINT & MISC	204,092	149,427	207,774	58,347	39.0%
<b>TOTAL OPERATING EXPENDITURES</b>	<b>3,187,887</b>	<b>2,205,159</b>	<b>2,490,807</b>	<b>285,648</b>	<b>13.0%</b>
<b>TOTAL OPERATING REVENUES OVER EXPENDITURES</b>	<b>(1,233,833)</b>	<b>(232,393)</b>	<b>48,712</b>	<b>281,105</b>	<b>-121.0%</b>

**Revenues**

- Assessed values for the year have increased by almost 19% in the Village Redevelopment Area. The additional growth in property taxes is the result of higher supplemental property tax revenues for the year.
- Increased interest revenue is the result of a 30% higher average daily cash balance combined with a 12% increase in the yield on the portfolio for the year.
- Higher permit revenues in the current fiscal year are the primary reason for the increase in other revenues.

**Expenditures**

- Staffing costs for Fiscal Year 2006 are up by 24% from the prior fiscal year. This is the result of a reallocation of staff salaries within the various sections of the Redevelopment Agency, normal salary and benefit increases, and a vacant position during a portion of the previous fiscal year that has now been filled.
- Higher interdepartmental charges are the result of increased information technology expenses related to a reallocation of interdepartmental charges in the prior fiscal year.
- Regularly scheduled lease increases account for the increase in rentals and leases.
- Increased debt expense is primarily the result of an increase in the ERAF payment as compared to the previous fiscal year.
- The increase in capital outlay is attributable to design services for the Senior Center expansion.
- Outside services, maintenance and miscellaneous expenses have increased due to a contract with the Community Land Use & Economics Group to perform a retail market analysis of the Village area.